

**RHODE ISLAND HOUSING AND MORTGAGE
FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
For the Three Months Ended September 30, 2014**

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**Financial Statements and Supplementary Information
As of and For the Three Months Ended September 30, 2014**

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Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordability Housing Trust (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of September 30, 2014 and 2013 and for the three months then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the three months ended September 30, 2014 increased (decreased) as compared to 2013 are as follows:

	\$	%
Mortgage loans, gross	(59.6)	(3.5)
Investments	(16.7)	(6.2)
Cash and cash equivalents	(37.0)	(13.8)
Total Assets	(115.1)	(5.1)
Bonds and notes payable	(128.1)	(8.2)
Total net position	4.2	1.5
Total revenues	(2.0)	(8.2)
Total expenses	(0.5)	(2.5)
Operating income	(1.5)	(51.7)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year, which adds to the Corporation's loan servicing portfolio; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of \$79.6 million. Multi-family new loan production decreased by \$.2 million and Operating fund loans increased \$20.2 million due mainly to an increase in loans held in warehouse prior to being sold.

Bonds and notes payable are the largest component of liabilities and this category decreased by \$128.1 million from the period ended September 30, 2013. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

The Corporation engages only in business-type activities; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Corporation's assets, liabilities and net position. Over time, increases or decreases in the Corporation's net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the period reported.

All assets, liabilities, and changes in net position are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

The Affordability Housing Trust is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

Operating Activity of the Corporation

The following tables summarize the components of operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

For the Three Months Ended September 30 (in thousands)			
	2014	2013	% Change
Revenues:			
Interest income on loans	\$ 17,874	\$ 19,093	(6.4) %
Interest on investments	1,756	1,953	(10.1)
Gain on sale of loans	1,524	428	256.4
Other revenues	2,225	2,189	1.6
Total revenues	23,379	23,663	(1.2)
Expenses:			
Interest expense	12,458	14,229	(12.4)
Provision for loan losses	1,890	1,088	73.7
REO expenditures	51	858	(94.1)
Bond issuance costs	(53)	-	-
Operating expenses	4,796	3,975	20.7
Other expenses	1,667	1,191	40.0
Total expenses	20,809	21,341	(2.5)
Operating income, before adjusting investments to fair value	\$ 2,570	\$ 2,322	10.7 %

Operating income, after adjusting investments to fair value, was \$1.3 million for the three month period ended September 30, 2014, and \$2.8 million for the three month period ended September 30, 2013. GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of \$1.2 million in 2014 compared to an increase of \$.5 million in 2013. Operating income, excluding the unrealized gains and losses on investments, increased to \$2.5 million in 2014 from \$2.3 million in 2013. The fluctuations are primarily due to changes in the gain on sale of loans.

Gain on sale of loans increased \$1.1 million as of September 30, 2014. The Corporation began selling loans during the quarter ended September 30, 2013. The increase as of September 30, 2014 represents a full quarter of loan sales as well as an increase in production.

Other revenue remained consistent at \$2.2 million as of September 30, 2014. Other revenue consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$4.8 million for the three month period ended September 30, 2014, an increase of 20.7% from \$4.0 million as of September 30, 2013.

REO expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. There were \$50 thousand of REO expenses recorded for the three month period ended September 30, 2014 and \$860 thousand for the same period in 2013. The decrease is due primarily to a decrease in the length of time properties are carried by Rhode Island Housing and a reduction in the overall REO portfolio.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income increase to \$7.2 million for the three month period ended September 30, 2014 as compared to \$6.8 million for the three month period ending September 30, 2013. Interest income on loans and investments decreased by approximately \$1.4 million to \$19.6 million for the three month period ended September 30, 2014. Net interest income as a percentage of average bonds and notes payable was 1.99% as of September 30, 2014 and 1.74% as of September 30, 2013. Interest income on loans as a percentage of total loans decreased from 4.50% in 2013 to 4.37% in 2014, while interest expense on bonds and notes decreased from 3.63% in 2013 to 3.45% in 2014. This caused a total increase in the spread margin (i.e., differential between loans and bonds) from .87% in 2013 to .92% in 2014. This is the result of various bond refundings and continued lower rates on new loans.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual of interest income for that loan is ceased and any previous accrued interest income is reversed. The Corporation will commence accruing interest income on such loans once the loans are made current.

The provision for loan losses increased from \$1.1 million in 2013 to \$1.9 million in 2014 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation. For the multi-family portfolios, a specific loan loss reserve analysis is performed for

every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty and which have a mortgage loan. For each of these sites, an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

In December, 2009, the Corporation issued bonds under two indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to \$128 million of single-family bonds under the Home Funding Bonds indenture, and up to \$65.1 million of rental housing bonds under the Multi-Family Funding Bonds indenture. As of September 30, 2014, all available bonds have been issued under this program.

Financial Analysis of the Corporation

The following table summarizes certain financial information regarding the Corporation's financial position:

	September 30, 2014 and 2013 (in millions)		
	2014	2013	% Change
Loans receivable, net	\$ 1,597	\$ 1,659	(3.7) %
Investments	252	269	(6.3)
Cash and cash equivalents	231	268	(13.8)
Other assets	45	44	(2.3)
Total assets	2,125	2,240	(5.1)
Deferred outflows of resources	1	-	302.7
Bonds and notes payable	1,438	1,566	(8.2)
Other liabilities	395	385	2.6
Total liabilities	1,833	1,951	(6.0)
Net Position:			
Net investment in capital assets	8	8	(3.2)
Restricted	212	210	0.8
Unrestricted	73	70	4.0

At September 30, 2014, total assets of the Corporation decreased from the prior period primarily due to a decrease in net loans receivable. Net loans receivable decreased \$62 million, or 3.7%, from the previous comparable three month period. This decrease in loans is attributable to the change in funding model implemented in FY 2014 whereby all new loans are sold. Bonds and notes payable decreased to \$1.4 billion as of September 30, 2014, from \$1.6 billion as of September 30, 2013.

During the three month period ended September 30, 2014, the Corporation did not issue any single family bonds. During that same period, \$20.23 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of September 30, 2014 and 2013, the net position-to-asset ratio was 13.8% and 12.9%, the loan-to-asset ratio was 75.2% and 74.1%, respectively. These ratios reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of September 30, 2014 and 2013, single-family residential mortgages in bond resolutions decreased from \$909 million to \$829 million, multi-family loans in bond resolutions remained stable at \$420 million and operating fund loans increased \$20.2 million.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities or in guaranteed investment contracts with providers.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

External Influences

With very few exceptions, most states are contending with the negative ramifications of the economic downturn occurring nationally. The most pronounced implication of the downturn is a high level of unemployment across the country. Rhode Island's unemployment rate is presently 7.6% while the national rate is 5.9%. The soft economy and the high level of unemployment produce an adverse effect for any lending institution. Notwithstanding the fact that households historically place a very high priority on making their mortgage payments to their mortgage lenders, there is an unavoidable ripple effect produced in a lending institution's delinquency statistics. High unemployment also negatively affects the resale value and the market equity in houses, since there are fewer households financially able to upgrade their housing burden in an economic downturn. The Corporation's loans (1) do not include sub-prime loans, (2) are conservatively underwritten and (3) represent financing of the borrower's first home; however, the Corporation's delinquency experience is directly impacted by the high unemployment and economic burdens of the State's residents.

In February 2011, the U.S. Department of the Treasury established the Hardest Hit Fund to provide targeted aid to families in states hit hard by the economic and housing market downturn. Rhode Island has been chosen to receive assistance as one of the states struggling with unemployment rates at or above the national average or steep home price declines greater than 20 percent since the housing market downturn. The Corporation is helping our borrowers, through the application process, to obtain federal aid available in the Hardest Hit Fund to provide funds for mortgage payment assistance for unemployed or underemployed homeowners, funds for principal reduction and loan modification to help homeowners get into more affordable mortgages and funds for homeowners transitioning out of their homes. As of January 31, 2013, the Corporation stopped accepting applications.

As of October 1, 2011, the U.S. Department of Housing and Urban Development (HUD) made changes to its Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract, HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees earned by the Corporation. The current contract has been extended by HUD through

December 31, 2014. On August 6, 2013, HUD issued a Notice of Funding Availability to award the contract from January 1, 2014 until December 31, 2015; however, this continues to be under appeal.

Requests for Information

This management's discussion and analysis is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Director of Finance, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rhodeislandhousing.org.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
September 30, 2014

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Assets				
Loans receivable	\$ 377,498,558	\$ 829,321,328	\$ 420,001,992	\$ 1,626,821,878
Less allowance for loan losses	(15,032,383)	(14,629,578)	-	(29,661,961)
Loans receivable, net	<u>362,466,175</u>	<u>814,691,750</u>	<u>420,001,992</u>	<u>1,597,159,917</u>
Investments	99,537,963	120,498,869	31,984,160	252,020,992
Accrued interest-loans	505,108	2,953,945	2,076,370	5,535,423
Accrued interest-investments	23,580	509,359	540,316	1,073,255
Cash and cash equivalents	60,078,780	101,380,194	69,374,041	230,833,015
Accounts receivable	13,197,656	-	-	13,197,656
Other assets, net	9,398,408	15,491,210	-	24,889,618
Interfund receivable (payable)	(4,938,850)	138,601	4,800,249	-
Total Assets	<u>540,268,820</u>	<u>1,055,663,928</u>	<u>528,777,128</u>	<u>2,124,709,876</u>
Deferred Outflows of Resources				
Loan origination costs	915	5,464	-	6,379
Hedging instruments	1,142,399	-	-	1,142,399
Total deferred outflows of resources	<u>1,143,314</u>	<u>5,464</u>	<u>-</u>	<u>1,148,778</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 541,412,134</u>	<u>\$ 1,055,669,392</u>	<u>\$ 528,777,128</u>	<u>\$ 2,125,858,654</u>
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	\$ 94,872,474	\$ 910,249,379	\$ 432,721,621	\$ 1,437,843,474
Accrued interest payable on bonds and notes	194,403	17,438,251	6,653,247	24,285,901
Accounts payable and accrued liabilities	6,901,796	245,801	1,018,921	8,166,518
Fees, net	861,552	241,816	-	1,103,368
Escrow deposits	350,990,667	-	10,509,296	361,499,963
Total liabilities	<u>453,820,892</u>	<u>928,175,247</u>	<u>450,903,085</u>	<u>1,832,899,224</u>
Net Position				
Investment in capital assets	7,965,227	-	-	7,965,227
Restricted	6,741,105	127,494,145	77,874,043	212,109,293
Unrestricted	72,884,910	-	-	72,884,910
Total net position	<u>87,591,242</u>	<u>127,494,145</u>	<u>77,874,043</u>	<u>292,959,430</u>
Total Liabilities and Net Position	<u>\$ 541,412,134</u>	<u>\$ 1,055,669,392</u>	<u>\$ 528,777,128</u>	<u>\$ 2,125,858,654</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Three Months Ended September 30, 2014

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Operating revenues:				
Interest income on loans	\$ 1,504,072	\$ 9,687,084	\$ 6,021,779	\$ 17,212,935
Interest income attributable to internal servicing activities	661,074	-	-	661,074
Total interest income on loans	2,165,146	9,687,084	6,021,779	17,874,009
Income on investments:				
Earnings on investments	69,275	1,226,511	460,237	1,756,023
Net increase in fair value of investments	(8,893)	(1,074,707)	(129,741)	(1,213,341)
Fees	2,006,564	-	-	2,006,564
Servicing fee income	218,743	-	-	218,743
Miscellaneous income	105	-	-	105
Gain on sale of loans	1,524,093	-	-	1,524,093
Total operating revenues	5,975,033	9,838,888	6,352,275	22,166,196
Operating expenses:				
Interest expense	410,810	8,682,094	3,364,915	12,457,819
Personnel services	3,264,273	-	-	3,264,273
Other administrative expenses	1,284,977	-	-	1,284,977
Housing initiatives	709,480	-	-	709,480
Provision for loan losses (recoveries)	-	1,890,000	-	1,890,000
REO expenditures	457,163	(405,838)	-	51,325
Bond issuance costs	(53,000)	-	-	(53,000)
Arbitrage rebate	-	-	(13,000)	(13,000)
Depreciation and amortization of other assets	245,262	1,488	-	246,750
Loan Costs	594,236	64	160,909	755,209
State Rental Subsidy Program	215,600	-	-	215,600
Total operating expenses	7,128,801	10,167,808	3,512,824	20,809,433
Operating income (loss)	(1,153,768)	(328,920)	2,839,451	1,356,763
Transfers in (out)	1,088,205	(595,620)	(492,585)	-
Total change in net position	(65,563)	(924,540)	2,346,866	1,356,763
Net position, beginning of period	87,656,805	128,418,685	75,527,177	291,602,667
Net position, end of period	<u>\$ 87,591,242</u>	<u>\$ 127,494,145</u>	<u>\$ 77,874,043</u>	<u>\$ 292,959,430</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Three Months Ended September 30, 2014

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Cash Flows from Operating Activities				
Interest on loans receivable	\$ 2,040,260	\$ 9,767,860	\$ 6,024,839	\$ 17,832,959
Repayment of loans receivable	27,628,659	22,283,380	4,168,940	54,080,979
Fees collected	2,105,209	(6,048)	-	2,099,161
Other receipts (disbursements), net	(1,611,141)	-	106,357	(1,504,784)
Loans disbursed	(31,584,305)	(2,200,107)	(725,877)	(34,510,289)
Accounts receivable, net	251,441	-	-	251,441
Loss on loans receivable	(167,617)	(1,160,422)	-	(1,328,039)
Loss on REO properties	(457,163)	405,838	-	(51,325)
Bond issuance costs	53,000	-	-	53,000
Personnel services	(3,264,273)	-	-	(3,264,273)
Other administrative expenses	(1,284,977)	-	-	(1,284,977)
Housing initiative expenses	(709,480)	-	-	(709,480)
Other assets	(236,645)	(546,144)	-	(782,789)
Arbitrage rebate	-	-	13,000	13,000
Accounts payable and accrued liabilities	(1,408,400)	-	-	(1,408,400)
Gain on sale of loans, net	822,828	-	(160,908)	661,920
State Rental Subsidy Program	(215,600)	-	-	(215,600)
Transfers from (to) other programs	(1,504,994)	(602,421)	2,107,415	-
Net cash provided by (used for) operating activities	(9,543,198)	27,941,936	11,533,766	29,932,504
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	60,000,000	2,072	1,592	60,003,664
Payment of bond and note principal	(50,031,408)	(20,262,786)	(425,000)	(70,719,194)
Interest paid on bonds and notes	(335,260)	(169,728)	(75,866)	(580,854)
Net cash provided by (used for) noncapital financing activities	9,633,332	(20,430,442)	(499,274)	(11,296,384)
Cash Flows from Investing Activities:				
Redemption of investments	20,500,723	4,227,122	527	24,728,372
Income on investments	68,454	1,159,796	74,479	1,302,729
Purchase of investments	(20,449,955)	-	(85,556)	(20,535,511)
Net cash provided by (used for) investing activities	119,222	5,386,918	(10,550)	5,495,590
Net Increase (Decrease) in Cash and Cash Equivalents	209,356	12,898,412	11,023,942	24,131,710
Cash and Cash Equivalents, beginning of period	59,869,424	88,481,782	58,350,099	206,701,305
Cash and Cash Equivalents, end of period	\$ 60,078,780	\$ 101,380,194	\$ 69,374,041	\$ 230,833,015

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Three Months Ended September 30, 2014

	<u>Operating Fund</u>	<u>Single-Family Fund</u>	<u>Multi-Family Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used) for operating activities:				
Operating income (loss)	\$ (1,153,768)	\$ (328,920)	\$ 2,839,451	\$ 1,356,763
Adjustments:				
Earnings on investments	(68,454)	(1,159,796)	(74,479)	(1,302,729)
Net (increase) decrease in fair value of investments	8,893	1,074,707	129,741	1,213,341
Interest paid on bonds and notes	335,260	169,728	75,866	580,854
Transfer of investments and/or net position	1,088,205	(595,620)	(492,585)	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(4,123,262)	20,812,850	3,443,064	20,132,652
Accrued interest-loans	(124,888)	80,780	3,059	(41,049)
Accrued interest-investments	(820)	(66,715)	(385,758)	(453,293)
Accounts receivable	251,441	-	-	251,441
Other assets	8,617	(544,656)	-	(536,039)
Interfund receivable (payable)	(2,593,199)	(6,801)	2,600,000	-
Deferred outflows of resources	(107,029)	64	-	(106,965)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	75,550	8,512,365	3,289,049	11,876,964
Accounts payable/accrued liabilities	(1,408,400)	-	-	(1,408,400)
Fees, net	(120,098)	(6,049)	-	(126,147)
Escrow deposits	(1,611,246)	-	106,357	(1,504,889)
Total adjustments	(8,389,430)	28,270,857	8,694,314	28,575,741
Net cash provided by (used for) operating activities	\$ (9,543,198)	\$ 27,941,936	\$ 11,533,766	\$ 29,932,504

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statement of Fiduciary Net Position - Private Purpose Trust Component Unit
September 30, 2014

Assets

Loans receivable	\$ 59,808,577
Less allowance for loan losses	<u>(3,507,441)</u>
Loans receivable, net	56,301,136

Investments	63,777
Accrued interest-loans	179,384
Accrued interest-investments	374
Cash and cash equivalents	16,857,486
Accounts receivable	315,328
Other assets, net	<u>2,428,100</u>

Total Assets	<u><u>\$ 76,145,585</u></u>
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Liabilities and Net Position

Liabilities

Accounts payable and accrued liabilities	<u>\$ 45,137</u>
Total liabilities	<u>45,137</u>

Net Position

Held in trust	<u>\$ 76,100,448</u>
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Total Liabilities and Net Position	<u><u>\$ 76,145,585</u></u>
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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

(A Component Unit of the State of Rhode Island)

**Statement of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Three Months Ended September 30, 2014**

Revenues:

Interest income on loans \$ 557,229

Income on investments:

Earnings on investments 899

Net increase in fair value of investments 53

Trust Receipts 205,905

Total revenues 764,086

Expenses:

Other administrative expenses -

Total expenses -

Total change in net position 764,086

Net position, beginning of period 75,336,362

Net position, end of period \$ 76,100,448

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Three Months Ended September 30, 2014

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the "State"). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. Through the application of GASB criteria, the Corporation determined that the Affordability Housing Trust (the "Trust"), is a component unit of the Corporation and the Trust has been presented in the accompanying fiduciary fund financial statements. Control over and financial accountability for the Trust is determined on the basis of appointment of a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

b. Affordability Housing Trust

The Affordability Housing Trust (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

c. Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying combining statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond

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resolutions established under various trust indentures, special regulations, restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions, and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation, and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Corporation has presented an unclassified combining statement of net position in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable by the Corporation within one year from the date of the combining statement of net position, the actual principal amount of loans received and the actual principal amount repaid on bonds and notes are affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

The Corporation distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as non-operating revenues and expenses.

d. Loans Receivable and Allowance for Loan Losses

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

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Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made according to contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged-off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all of the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

e. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less, are considered cash and cash equivalents.

f. Investments

Investments held by Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts, and guaranteed investment contracts.

In accordance with GASB Statement No. 31, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in non-participating interest earning investment contracts, such as non-negotiable and non-transferable guaranteed investment contracts which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with

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redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost is reported at fair value in accordance with GASB Statement No. 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for taxable bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying statement of net position and recorded within operating expenses in the statement of revenues, expenses and changes in net position.

g. Bond Issuance Costs, Premiums, Discounts and Early Retirements

In accordance with GASB 65, costs associated with issuing bonds are reported in the combining statement of revenues, expenses and changes in net position in the year the bond is issued. In addition, when refinancing debt, the costs associated with the refinanced bond are also reported in the combining statement of revenues, expenses and changes in net position in the year in which the bond is refinanced.

Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

The Corporation periodically retires bonds prior to their redemption date. Any premium paid on the call, related to the early retirement of bonds that are not refunded, is reported in the combining statement of revenues, expenses and changes in net position.

h. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation depreciates property and equipment on a straight-line basis over the assets' estimated lives, which range from 3-40 years.

The Corporation states its other real estate owned acquired through or in lieu of foreclosure at the lower of cost or fair value less the cost to sell. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund is at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all of the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Carrying costs relating to other real estate owned are recorded in the Operating Fund.

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i. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At September 30, 2014, the Corporation's deferred outflows consist of the change in fair value of derivatives and loan origination costs, as described below.

Fair values of both hedging derivatives and investment derivatives (if any) are presented on the combining statements of net position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Corporation's combining statements of net position. The Corporation currently has one type of derivative outstanding: mortgage-backed security forward contracts.

j. Net Position

Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any. Restricted net position consists of restricted assets that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments, or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets. Unrestricted net position consists of amounts not included in net investment in capital assets or restricted net position.

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the period ended September 30, 2014 include cash transfers for reimbursement of activities in support of the bond programs.

At September 30, 2014, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs totaled \$6,741,105.

k. Interest Income on Loans

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for

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mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

1. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

2. Restricted Assets

The Corporation maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from the U.S. Department of Housing and Urban Development (HUD) for the use in HUD programs.

At September 30, 2014, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$153,374,721 of investments and cash and cash equivalents and \$218,502,260 of loans receivable and other assets in the Corporation's Operating Fund are restricted.

3. Loans Receivable

The Corporation provides single-family mortgage loans to qualified borrowers in the State of Rhode Island. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

The single-family mortgage loan balances in the Single Family Fund are insured, subject to maximum insurable limits described below:

Private Mortgage Insurance	\$ 433,486,594
FHA Insurance	153,226,473
VA Guaranteed	10,481,963
USDA/RD Guaranteed	13,987,474
Uninsured	218,138,824
Total	\$ 829,321,328

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The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of HUD. The insurance proceeds are usually paid in cash, but at the discretion of the Secretary may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of \$60,000 depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or Fannie Mae and must be authorized to do business in the State. Private mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 50% to 90% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at September 30, 2014 of \$286,558,122 and \$7,974,965, respectively, are insured under such agreements subject to maximum participation limits. At September 30, 2014, loan balances of \$18,715,040 in the Affordability Housing Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with the Federal National Mortgage Association (FNMA) whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of September 30, 2014, two hundred fifty-five loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

In the Single-Family Fund and the Multi-Family Fund, 97% and 99%, respectively, of the loan portfolio is in first lien position. In the Operating Fund and the Affordability Housing Trust Fund, 29% and 53%, respectively, of the loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the three months ended September 30, 2014, interest received under such deferred loan arrangements was \$71,229 in the Operating Fund and \$32,111 in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled \$209,539,659 as of September 30, 2014.

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At September 30, 2014, principal outstanding under such deferred loan arrangements is as follows:

Operating Fund:	
Single-family loans	\$ 89,538,764
Multi-family loans	183,399,252
Subtotal	<u>272,938,016</u>
Single-Family Fund:	
Single-family loans	<u>17,032,256</u>
Total	<u><u>\$ 289,970,272</u></u>

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At September 30, 2014, principal outstanding under such non-accrual status loans is as follows:

Operating Fund:	
Single-family loans	\$ 2,369,223
Multi-family loans	4,215,019
Subtotal	<u>6,584,242</u>
Single-Family Fund:	
Single-family loans	<u>39,069,686</u>
Total	<u><u>\$ 45,653,928</u></u>

A summary of the changes in the allowance for loan losses is as follows:

Balance at beginning of period	\$ 29,100,000
Loans charged off, net of recoveries	(587,659)
Write down of REO properties	(740,380)
Provisions for loan losses	<u>1,890,000</u>
Balance at end of period	<u><u>\$ 29,661,961</u></u>

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lender's Reserve Account"). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At September 30, 2014, the Mortgage Lenders Reserve Account totaled \$562,017.

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4. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents Rhode Island Housing assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a financial institution failure, Rhode Island Housing's deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: A) uninsured and uncollateralized; B) uninsured and collateralized with securities held by the financial institution trust departments in the Corporation's or Trust's name; and C) uninsured and collateralized with securities held by financial institution trust departments or agents which are not held in the Corporation's or Trust's name.

The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. Rhode Island Housing does not have any additional policy in regard to custodial credit risk for its deposits.

Investments The primary objective of Rhode Island Housing in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

Maturity	Maximum investment
Less than one year	100%
One to five years	25%
Greater than five years	0%

At September 30, 2014 the Operating Fund holds one investment with a maturity of greater than 5 years. This investment is a marketable security that is pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to

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less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or Fannie Mae. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single Family and Operating Funds and are carried at fair value totaling \$118,316,845 at September 30, 2014.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contain policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

United States Government Obligations	100% of portfolio
United States Agency Obligations	100% of portfolio
Repurchase Agreements	50% of portfolio
Collective Short-Term Funds	25% of portfolio
All other investments	10% of portfolio

Although there are no specific concentration policies for maximum percentage of investments, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At September 30, 2014, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At September 30, 2014, there were no investments in the Operating Fund subject to custodial credit risk.

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There are no other specific custodial credit risk policies for the other funds. Most of Rhode Island Housing's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At September 30, 2014, there were no investments in any of the other funds subject to custodial credit risk.

As established in the Board approved investment policy, the Corporation has the ability to enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At September 30, 2014, the Corporation entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

5. Other Assets

Other assets consisted of the following at September 30, 2014:

Real estate owned	\$ 15,715,953
Capital assets, net	7,965,227
PMSR and Excess Servicing net	1,192,661
Other assets/control accounts	15,777
Total	\$ 24,889,618

Depreciation expense related to capital assets for the three months ended September 30, 2014 was \$146,205.

Amortization expense related to purchased mortgage servicing rights for the three months ended September 30, 2014 was \$100,545.

Other assets of the Trust consisted of federal program properties totaling \$2,428,100 at September 30, 2014.

6. Bonds and Notes Payable

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

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The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal and interest on substantially all bonds is payable semi-annually.

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of September 30, 2014.

Bonds and notes payable at September 30, 2014 are as follows:

Operating Fund Bonds and Notes:

Federal Home Loan Bank	
Due 2014 to 2020, interest from .23% to 2.47%	\$ 14,000,000
General Obligation Bonds Series 2013:	
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000
Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	7,872,474
Lines of Credit, payable on demand, interest at variable rates	<u>68,000,000</u>
Total Operating Fund	<u>94,872,474</u>

Single-Family Fund:

Homeownership Opportunity Bonds and Notes:

Series 10-A:	
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000
Series 15-A:	
Term bonds, due 2024, interest at 6.85%	500,000
Series 46-T:	
Term bonds, due 2034, interest at variable rate	15,000,000

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Series 48-T:	
Term bonds, due 2034, interest at variable rate	15,000,000
Series 49-A:	
Serial bonds, due 2014 to 2015, interest from 4.00% to 4.10%	2,240,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	4,105,000
	<hr/> 6,345,000
Series 49-B:	
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	26,215,000
Series 50-A:	
Serial bonds, due 2014, interest at 3.85%	750,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	16,240,000
	<hr/> 16,990,000
Series 50-B:	
Term bonds, due 2035, interest at 4.60%	38,365,000
Series 51-A:	
Serial bonds, due 2014 to 2017, interest from 3.95% to 4.125%	5,865,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	26,420,000
	<hr/> 32,285,000
Series 51-B:	
Term bonds, due 2036, interest at 5.00%	1,730,000
Series 52-A:	
Serial bonds, due 2014 to 2018, interest from 4.05% to 4.30%	4,450,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	10,250,000
	<hr/> 14,700,000
Series 52-B:	
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	23,475,000
Series 53-A:	
Serial bonds, due 2014 to 2017, interest from 3.90% to 4.05%	6,920,000
Term bonds, due 2034, interest at 4.60%	3,150,000
	<hr/> 10,070,000
Series 53-B:	
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	38,435,000
Series 54:	
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	56,970,000

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Series 55-A:	
Serial bonds, due 2014 to 2017, interest from 3.80% to 3.95%	5,920,000
Term bonds, due 2034, interest at 4.50%	2,280,000
	<hr/> 8,200,000
Series 55-B:	
Serial bonds, due 2017 at 4.375%	1,110,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	53,570,000
	<hr/> 54,680,000
Series 56-A:	
Serial bonds, due 2014 to 2015, interest from 4.55% to 4.65%	1,195,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	54,035,000
	<hr/> 55,230,000
Series 56-B1-T:	
Term bonds, due 2047, interest at 6.074%	2,020,000
Series 57-A:	
Serial bonds, due 2014 to 2017, interest from 4.00% to 4.25%	4,665,000
Term bonds, due 2034, interest at 5.00%	475,000
	<hr/> 5,140,000
Series 57-B:	
Term bonds, due 2022 to 2027, interest from 5.15% to 5.25%	15,780,000
Series 58-A:	
Term bonds, due 2023 to 2037, interest from 5.05% to 5.50%	24,950,000
Series 59-A:	
Serial bonds, due 2014 to 2017, interest from 3.625% to 4.125%	6,935,000
Term bonds, due 2034, interest at 5.15%	3,155,000
	<hr/> 10,090,000
Series 60-A1:	
Serial bonds, due 2014 to 2017, interest from 3.875% to 4.30%	4,390,000
Series 61-A:	
Serial bonds, due 2014 to 2023, interest from .75% to 3.05%	14,175,000
Series 61-B:	
Term bonds, due 2026 to 2042, interest from 3.45% to 4.15%	8,730,000
Series 61-C:	
Serial bonds, due 2015 to 2020, interest from 1.65% to 3.00%	25,730,000
Term bonds, due 2034, interest at 4.00%	4,575,000
	<hr/> 30,305,000

Rhode Island Housing and Mortgage Finance Corporation
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For the Three Months Ended September 30, 2014

Series 62-A:	
Serial bonds, due 2014 to 2021, interest from .95% to 3.125%	8,210,000
Series 62-B:	
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000
	15,000,000
Series 62-C:	
Serial bonds, due 2014 to 2022, interest from 1.70% to 3.85%	16,490,000
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	38,395,000
	54,885,000
Series 63-A:	
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	16,390,000
Series 63-B:	
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	3,385,000
Series 63-C:	
Serial bonds, due 2014 to 2022, interest from 1.20% to 3.50%	10,975,000
Term bonds, due 2025, interest at 3.75%	3,680,000
	14,655,000
Series 63-T:	
Term bonds, due 2042, interest at variable rate	24,385,000
Series 64-T:	
Serial bonds, due 2014 to 2018, interest from .40% to 2.58%	24,635,000
Term bonds, due 2023 to 2034, interest from 3.00% to 5.00%	54,415,000
	79,050,000
Unamortized bond premium	1,341,937
Subtotal	748,071,937
Home Funding Bonds and Notes:	
Series 1-A:	
Serial bonds, due 2014 to 2021, interest from 2.375% to 4.125%	8,930,000
Term bonds, due 2024 to 2027, interest from 4.375% to 4.625%	9,505,000
	18,435,000
Series 2, Subseries 2A:	
Term bonds, due 2041, interest at 3.16%	26,750,000
Series 2, Subseries 2B:	
Term bonds, due 2041, interest at 2.63%	20,650,000

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2014

Series 2, Subseries 2C:	
Term bonds, due 2041, interest at 2.73%	31,420,000
Series 3:	
Serial bonds, due 2014 to 2020, interest from 1.60% to 3.20%	6,585,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	10,210,000
	16,795,000
Series 4:	
Serial bonds, due 2014 to 2022, interest from 1.25% to 3.50%	6,410,000
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	5,930,000
	12,340,000
Series 5:	
Term bonds, due 2028 to 2040 , interest from 2.75% to 3.45%	35,145,000
Unamortized bond premium	642,442
Subtotal	162,177,442
Total Single-Family Fund	910,249,379
Multi-Family Fund:	
Multi-Family Housing Bonds:	
1995 Series A:	
Term bonds, due 2017, interest at 6.15%	400,000
1998 Series A:	
Term bonds, due 2018, interest at 5.375%	460,000
Subtotal	860,000
Housing Bonds:	
2001 Series A:	
Term bonds, due 2015, interest at 5.30%	1,490,000
2001 Series B-2T:	
Term bonds, due 2031, interest at variable rate	3,540,000
2003 Series A-2T:	
Term bonds, due 2034, interest at variable rate	20,155,000
2003 Series B-2T:	
Term bonds, due 2035, interest at variable rate	8,720,000

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Notes to Financial Statements
For the Three Months Ended September 30, 2014

2005 Series A-1A:	
Serial bonds, due 2014 to 2015, interest from 4.15% to 4.25%	840,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	17,230,000
	18,070,000
2005 Series A-1B:	
Term bonds, due 2035, interest at 4.90%	270,000
2005 Series A-2T:	
Term bonds, due 2015 to 2018, interest from 5.14% to 5.29%	915,000
2006 Series A-1:	
Serial bonds, due 2014 to 2016, interest from 3.95% to 4.05%	800,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	19,680,000
	20,480,000
2007 Series A-1:	
Serial bonds, due 2014 to 2017, interest from 4.15% to 4.35%	1,295,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000
	30,975,000
2007 Series A-2T:	
Term bonds, due 2027, interest at 5.608%	1,140,000
2007 Series B-1A/B:	
Serial bonds, due 2014 to 2017, interest from 4.20% to 4.50%	830,000
Term bonds, due 2022 to 2049, interest from 5.05% to 5.50%	24,405,000
	25,235,000
Unamortized bond (discount)	(103,362)
Subtotal	130,886,638
 Multi-Family Funding Bonds:	
2009 Series A, Subseries 2009A-1:	
Term bonds, due 2051, interest at 3.01%	51,000,000
2009 Series A, Subseries 2009A-2:	
Term bonds, due 2051, interest at 2.32%	14,100,000
2010 Series A:	
Serial bonds, due 2014 to 2021, interest from 2.00% to 4.00%	4,545,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000
	20,095,000

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Notes to Financial Statements
For the Three Months Ended September 30, 2014

2011 Series A:	
Serial bonds, due 2014 to 2017, interest from 1.40% to 2.50%	585,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000
	<u>4,895,000</u>
Subtotal	<u>90,090,000</u>
Multi-Family Development Bonds:	
2010 Series 1:	
Serial bonds, due 2014 to 2021, interest from 2.00% to 4.25%	510,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000
	<u>8,795,000</u>
2013 Series 1-AB:	
Serial bonds, due 2014 to 2023, interest from .55% to 2.85%	4,195,000
Term bonds, due 2015 to 2048, interest from .85% to 4.125%	33,205,000
	<u>37,400,000</u>
2013 Series 2-T:	
Serial bonds, due 2014 to 2023, interest from .768% to 3.218%	17,375,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000
	<u>54,100,000</u>
2013 Series 3-A:	
Term bonds, due 2014 to 2016, interest from 0.30% to .85%	3,450,000
2013 Series 3-B:	
Serial bonds, due 2015 to 2024, interest from .60% to 3.85%	305,000
Term bonds, due 2028 to 2048, interest from 4.375% to 5.20%	2,195,000
	<u>2,500,000</u>
2013 Series 3-C:	
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000
2013 Series 3-D:	
Serial bonds, due 2016 to 2024, interest from 1.2% to 4.35%	1,780,000
Term bonds, due 2017 to 2028, interest from 1.85% to 4.80%	14,980,000
	<u>16,760,000</u>
2013 Series 4-T:	
Serial bonds, due 2014 to 2018, interest from 0.626% to 2.774%	4,400,000
Term bonds, due 2023 to 2030, interest from 4.207% to 5.257%	3,970,000
	<u>8,370,000</u>
Unamortized bond (discount)	(45,017)
Subtotal	<u>140,124,983</u>

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2014

Multi-Family Mortgage Revenue Bonds:	
Series 2006 (University Heights Project):	
Term bonds, due 2039, interest at variable rate	26,700,000
Series 2006 (Sutterfield Project):	
Term bonds, due 2039, interest at variable rate	7,000,000
Series 2006 (The Groves):	
Term bonds, due 2040, interest at variable rate	29,650,000
Series 2013 (Grace Church)	
Term bonds, due 2015, interest at variable rate	7,410,000
Subtotal	<u>70,760,000</u>
 Total Multi-Family Fund	 <u>432,721,621</u>
 Total Bonds And Notes Payable	 <u><u>\$ 1,437,843,474</u></u>

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family and multi-family loans. At September 30, 2014, the Corporation may borrow up to a maximum of \$90,000,000 under various revolving loan agreements expiring between November 2014 and August 2015. Borrowings under the lines of credit are payable on demand and are unsecured. In the Operating Fund, one line of credit in the outstanding amount of \$8,000,000 has a variable interest rate, which was 1.91% at September 30, 2014. The outstanding remaining lines of credit of \$60,000,000 have fixed rates, which range from 1.15% - 1.48% at September 30, 2014.

Homeownership Opportunity Bonds Series 46-T, 48-T, and 63-T, Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at a taxable variable rate established monthly or quarterly, which range from .46% - 1.16% at September 30, 2014. The Multi-Family Mortgage Revenue Bonds bear interest at a tax exempt rate established weekly, which range from .05% - 1.71% at September 30, 2014.

7. Commitments and Contingencies

The Corporation is party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying statement of net position. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2014

Total credit exposure as a result of loan commitments at September 30, 2014 is as follows:

Fund	Commitments
Operating Fund	\$ 39,126,218
Single-Family Fund	13,653,086
Multi-Family Fund	2,663,094
AHT Fund	4,761,465
Total	\$ 60,203,863

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's credit worthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation has entered into contracts with multiple developments under the Neighborhoods Opportunity Program to fund projects over the next nine years for a total of \$2,600,000, subject to the availability of funds. During the quarter ended September 30, 2014 no amounts were paid under these contracts.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of Rhode Island Housing.

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last nine fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before September 30, 2014 because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

8. Derivative Instruments

In July 2013, the Corporation converted its loan funding platform from a mortgage revenue bond program to a program primarily financed through the sale of whole loans and mortgage-backed securities guaranteed by Fannie Mae and Ginnie Mae as to timely payment of principal and interest. The securities represent pools of qualified first mortgage loans originated by Rhode Island Housing approved lenders.

Rhode Island Housing and Mortgage Finance Corporation
(A Component Unit of the State of Rhode Island)
Notes to Financial Statements
For the Three Months Ended September 30, 2014

Under this program, the Corporation periodically enters into forward contracts to sell the securities to investors before the securities are ready for delivery (referred to as a “to-be-announced” or “TBA Mortgage-Backed Security Contract”). The corporation enters into TBA Mortgage-Backed Security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. TBA Mortgage-Backed Security Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Corporation and the investor enter into the transaction: settlement factors; the reference rates or interest rates the security will bear; and notional amounts in the form of the principal amount of the future Mortgage-Backed Securities. In addition, payment to Rhode Island Housing by the investor is not required until the investor receives the security, enabling the investor to take a position on interest rates without making a payment. Finally, the TBA Mortgage-Backed Security Contracts may be “net settled” because neither party is required to deliver or purchase an asset to settle the TBA Mortgage-Backed Securities Contract.

At September 30, 2014, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$20,494,947 and fair values of \$528,063 were outstanding. TBA Mortgage-Backed Security contracts are included in the combining Statements of Net Position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of \$17,500,000 and fair values of \$614,336. These amounts are included in the combining Statements of Net Position as deferred outflows and resources.

9. Employee Benefits

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation’s 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee’s annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the three months ended September 30, 2014 totaled \$200,530. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of September 30, 2014, the plan included 16 retirees, 13 of which are receiving benefits, and 154 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2014

basis, is projected to cover normal cost each year. For the three month period ended September 30, 2014, plan members receiving benefits contributed \$2,204 as their required contribution.

The OPEB cost for the three month period ended September 30, 2014, is as follows

Required contribution	\$ 93,819
Interest on OPEB obligation	37,711
Adjustment to required contribution	(34,939)
OPEB cost	<u>96,591</u>
Net estimated employer contributions	<u>(7,183)</u>
Increase in net OPEB obligation	89,408
Net OPEB obligation, beginning of period	<u>3,352,085</u>
Net OPEB obligation, end of period	<u><u>\$ 3,441,492</u></u>
Percent of OPEB cost contributed in current period	7.4%

The net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying statement of net position. The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three preceding fiscal years ended June 30 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$ 362,844	\$ 27,001	7.4%	\$ 3,091,437
June 30, 2013	374,572	22,958	6.1%	3,443,051
June 30, 2014	(60,471)	30,495	(50.4%)	3,352,085

Funding Status and Funding Progress:

Under the reporting parameters, the Corporation's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,352,085 as of June 30, 2014, the most recent actuarial valuation date. As of September 30, 2014, the unfunded accrued liability as a percentage of covered payroll of \$2,024,766 was 166%.

Actuarial Methods and Assumptions

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit method, which provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Rhode Island Housing and Mortgage Finance Corporation
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Notes to Financial Statements
For the Three Months Ended September 30, 2014

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50%, payroll growth of 3.00% and a 30 year open amortization period. The initial annual healthcare cost trend rate of 7.50%, declining to an ultimate rate of 4.50% after 12 years.

10. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding:

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
October 1, 2014	Homeownership Opportunity Bonds	\$ 18,060,000
October 1, 2014	Home Funding Bonds	\$ 3,930,000
October 1, 2014	Multi-Family Development Bonds	\$ 2,300,000
October 31, 2014	Homeownership Opportunity Bonds	\$ 86,505,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
September 30, 2014

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Totals
Assets			
Loans receivable	\$ 771,857,484	\$ 57,463,844	\$ 829,321,328
Less allowance for loan losses	(14,637,075)	7,497	(14,629,578)
Loans receivable, net	<u>757,220,409</u>	<u>57,471,341</u>	<u>814,691,750</u>
Investments	20,238,840	100,260,029	120,498,869
Accrued interest-loans	2,761,527	192,418	2,953,945
Accrued interest-investments	193,951	315,408	509,359
Cash and cash equivalents	83,713,387	17,666,807	101,380,194
Other assets, net	13,940,032	1,551,178	15,491,210
Interfund receivable	120,005	18,596	138,601
Total assets	<u>878,188,151</u>	<u>177,475,777</u>	<u>1,055,663,928</u>
Deferred Outflows of Resources			
Loan origination costs	5,464	-	5,464
Total Deferred outflows of resources	<u>5,464</u>	<u>-</u>	<u>5,464</u>
Combined Assets and Deferred Outflows of Resources	<u>\$ 878,193,615</u>	<u>\$ 177,475,777</u>	<u>\$ 1,055,669,392</u>
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 748,071,937	\$ 162,177,442	\$ 910,249,379
Accrued interest payable on bonds and notes	14,884,828	2,553,423	17,438,251
Accounts payable and accrued liabilities	245,801	-	245,801
Fees, net	241,816	-	241,816
Total liabilities	<u>763,444,382</u>	<u>164,730,865</u>	<u>928,175,247</u>
Net Position			
Net position, restricted	<u>114,749,233</u>	<u>12,744,912</u>	<u>127,494,145</u>
Total Liabilities and Net Position	<u>\$ 878,193,615</u>	<u>\$ 177,475,777</u>	<u>\$ 1,055,669,392</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Three Months Ended September 30, 2014

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Total
Operating revenues:			
Interest income on loans	\$ 9,087,051	\$ 600,033	\$ 9,687,084
Interest income attributable to internal servicing activities	-	-	-
Total interest income on loans	<u>9,087,051</u>	<u>600,033</u>	<u>9,687,084</u>
Earnings on investments:			
Earnings on investments	229,511	997,000	1,226,511
Net decrease in fair value of investments	<u>(211,883)</u>	<u>(862,824)</u>	<u>(1,074,707)</u>
Total operating revenues	<u>9,104,679</u>	<u>734,209</u>	<u>9,838,888</u>
Operating expenses:			
Interest expense	7,422,452	1,259,642	8,682,094
Provision for loan losses	1,890,000	-	1,890,000
REO expenditures	(405,838)	-	(405,838)
Depreciation and amortization of other assets	459	1,029	1,488
Loan costs	64	-	64
Total operating expenses	<u>8,907,137</u>	<u>1,260,671</u>	<u>10,167,808</u>
Operating income (loss)	197,542	(526,462)	(328,920)
Transfers in (out)	<u>4,380</u>	<u>(600,000)</u>	<u>(595,620)</u>
Total change in net position	<u>201,922</u>	<u>(1,126,462)</u>	<u>(924,540)</u>
Net position, beginning of period	<u>114,547,311</u>	<u>13,871,374</u>	<u>128,418,685</u>
Net position, end of period	<u>\$ 114,749,233</u>	<u>\$ 12,744,912</u>	<u>\$ 127,494,145</u>

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
September 30, 2014

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Assets			
Loans receivable	\$ 906,878	\$ 122,703,198	\$ 70,252,267
Investments	17,871,953	12,925,826	-
Accrued interest-loans	5,820	784,258	30,248
Accrued interest-investments	294,767	227,611	-
Cash and cash equivalents	533,919	15,962,754	9,730,784
Interfund receivable	-	-	-
Total assets	19,613,337	152,603,647	80,013,299
Deferred Outflows of Resources			
Loan origination costs	-	-	-
Total deferred outflows of resources	-	-	-
Combined Assets and Deferred Outflows of Resources	\$ 19,613,337	\$ 152,603,647	\$ 80,013,299
Liabilities and Net Position			
Liabilities			
Bonds and notes payable	\$ 860,000	\$ 130,886,638	\$ 70,760,000
Accrued interest payable on bonds and notes	12,331	2,546,120	18,008
Accounts payable and accrued liabilities	117,162	893,390	-
Escrow deposits	-	1,280,173	9,229,123
Total liabilities	989,493	135,606,321	80,007,131
Net Position			
Net position, restricted	18,623,844	16,997,326	6,168
Total Liabilities and Net Position	\$ 19,613,337	\$ 152,603,647	\$ 80,013,299

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
September 30, 2014

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Fund Total
Assets			
Loans receivable	\$ 89,971,925	\$ 136,167,724	\$ 420,001,992
Investments	-	1,186,381	31,984,160
Accrued interest-loans	478,936	777,108	2,076,370
Accrued interest-investments	-	17,938	540,316
Cash and cash equivalents	8,563,524	34,583,060	69,374,041
Interfund receivable	-	4,800,249	4,800,249
Total assets	99,014,385	177,532,460	528,777,128
Deferred Outflows of Resources			
Loan origination costs	-	-	-
Total deferred outflows of resources	-	-	-
Combined Assets and Deferred Outflows of Resources	\$ 99,014,385	\$ 177,532,460	\$ 528,777,128
Liabilities and Net Position			
Bonds and notes payable	\$ 90,090,000	\$ 140,124,983	\$ 432,721,621
Accrued interest payable on bonds and notes	1,492,094	2,584,694	6,653,247
Accounts payable and accrued liabilities	-	8,369	1,018,921
Escrow deposits	-	-	10,509,296
Total liabilities	91,582,094	142,718,046	450,903,085
Net Position			
Net position, restricted	\$ 7,432,291	\$ 34,814,414	\$ 77,874,043
Total Liabilities and Net Position	\$ 99,014,385	\$ 177,532,460	\$ 528,777,128

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Three Months Ended September 30, 2014

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Operating revenues:			
Interest income on loans	\$ 17,492	\$ 2,368,743	\$ 95,560
Earnings on investments:			
Interest on investments	285,975	158,784	-
Net increase (decrease) in fair value of investments	-	(119,024)	-
Total operating revenues	303,467	2,408,503	95,560
Operating expenses:			
Interest expense	12,331	1,271,640	42,107
Arbitrage rebate	-	-	-
Loan costs	-	160,909	-
Total operating expenses	12,331	1,432,549	42,107
Operating income	291,136	975,954	53,453
Transfers in (out)	-	(19,074,324)	(53,493)
Total change in net position	291,136	(18,098,370)	(40)
Net position, beginning of period	18,332,708	35,095,696	6,208
Net position, end of period	<u>\$ 18,623,844</u>	<u>\$ 16,997,326</u>	<u>\$ 6,168</u>

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Three Months Ended September 30, 2014

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Total
Operating revenues:			
Interest income on loans	\$ 1,437,639	\$ 2,102,345	\$ 6,021,779
Income on investments:			
Earnings on investments	776	14,702	460,237
Net increase in fair value of investments	-	(10,717)	(129,741)
Total operating revenues	1,438,415	2,106,330	6,352,275
Operating expenses:			
Interest expense	746,356	1,292,481	3,364,915
Arbitrage rebate	-	(13,000)	(13,000)
Costs to sell loans	-	-	160,909
Total operating expenses	746,356	1,279,481	3,512,824
Operating income	692,059	826,849	2,839,451
Transfers out of net position	(600,000)	19,235,232	(492,585)
Total change in net position	92,059	20,062,081	2,346,866
Net position, beginning of period	7,340,232	14,752,333	75,527,177
Net position, end of period	<u>\$ 7,432,291</u>	<u>\$ 34,814,414</u>	<u>\$ 77,874,043</u>